

Message Text

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ACTION EA-12

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NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03
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C O R R E C T E D C O P Y (BRUSSELS OMITTED AS INFO ADDEE)

EO 11652: NA
TAGS: EIND, EGEN, ASEAN
SUBJ: ASEAN INDUSTRIAL PROJECTS

REF A. STATE 142469, B. BANGKOK 15880 (NOTAL) C. JAKARTA 7523

1. SUMMARY; THAILAND'S ASEAN INDUSTRIAL PROJECT: ROCK SALTSODA
ASH BEARS CONSIDERABLE PROMISE BUT ITS FUTURE HINGES ON RTG
NATIONAL PLANNING PRIORITIES AND A BROAD, WELL COORDINATED
INFRASTRUCTURE TO SUPPORT IT. THE THAI ROCK SALT-SODA ASH PROJECT
IS MORE THAN A GLINT IN THE EYE BUT IS A LONG WAY
FROM FRUITTION. END SUMMARY
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2. THAI ROCK SALT-SODA ASH PROJECT INVOLVES LONG-TERM RTG DEVEL-
OPMENT PLANS AND NATIONAL PRIORITIES. THE CURRENT
OVERRIDING RTG PRIORITY CONCERNS ARE LAUNCHING OF THE GULF OF
THAILAND NATURAL GAS PIPELINE PROJECT FOLLOWED BY
PROPOSED DEVELOPMENT OF NEW DEEPWATER PORT, PRESUMABLY AT LAEM
CHABANG IN CHONBURI PROVINCE WHICH THE RTG MAY APPROVE SOON

AND FOLLOW WITH ISSUANCE OF TENDERS (REF B).

3. RTG FULLY APPRECIATES THE EXTENT AND VALUE OF LARGE ROCK SALT DEPOSITS IN NORTHEAST THAILAND WHICH CAN BE EXPORTED RAW OR PROCESSED INTO SODA ASH FOR GLASS PRODUCTION, PETRO-CHEMICALS AND FERTILIZER. EVEN SO, MAJOR ISSUES SUCH AS THE Siting OF THE SODA ASH PLANT, TRANSPORTATION DEVELOPMENT, INDUSTRIAL PROCESSING AND MARKETING HAVE YET TO BE THOROUGHLY CONSIDERED. ALTHOUGH THE ADB FEASIBILITY STUDY FOR EXPLOITING ROCK SALT IS REPORTEDLY FAVORABLE, WE UNDERSTAND THE RTG AND THE ADB HAVE NOT EXAMINED IT IN DEPTH AS YET AND THE ASEAN EXPERTS GROUP ON THE ROCK SALT-SODA ASH PROJECT IS ONLY TENTATIVELY SCHEDULED TO DISCUSS THE SUBJECT IN MID-JULY. WE NOTE ONLY THE UREA PROJECT FOR MALAYSIA WAS APPROVED AT THE JAKARTA ECONOMIC MINISTERS MEETING (REF C).

4. THE INTERRELATED FACTORS IN THE ROCK SALT-SODA ASH PLAN DEVELOPMENT PROJECTS INCLUDE: BULK TRANSPORT FACILITIES IN THE FORM OF RAIL LINKS TO THE PROCESSING PLANT FOLLOWED BY A RAIL LINK FROM CHACHOENGSAO TO THE PROPOSED DEEPWATER PORT MENTIONED ABOVE. THESE WILL BE VITAL TO THE ECONOMICS OF THE ENTIRE PROJECT.

5. IT IS TOO EARLY TO ASSESS WITH ACCURACY THE OVERALL SIZE, FINANCING AND TIMEFRAME FOR CONSTRUCTION OF THE ENTIRE PACKAGE. THE DEEPWATER PORT AND THE RAIL LINK TOGETHER ARE LIMITED OFFICIAL USE

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CURRENTLY ESTIMATED TO COST OVER US\$127 MILLION. THERE WILL BE OPPORTUNITIES FOR FOREIGN PARTICIPATION, INCLUDING THE US IN THE VARIOUS INTERRELATED PROJECTS. INVESTMENT IN THE SODA ASH PLAN ALONE, WHICH IS ROUGHLY ESTIMATED AT US\$160 MILLION MAY HAVE POTENTIAL PRESCRIBED LIMITATIONS ON PRIVATE PARTICIPATION DEPENDING ON THE RULES ON EQUITY SET FOR ASEAN PROJECTS. COUPLED WITH THE JAPANESE OFFER TO ASSIST ASEAN INDUSTRIAL PROJECTS, THERE SHOULD BE AMPLE SCOPE IN THIS EXTENSIVE DEVELOPMENT SCHEME FOR PRIVATE FOREIGN INVESTMENT. THE EMB WILL REPORT ADDITIONAL INFO ON THIS PROJECT AS IT BECOMES AVAILABLE.
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